

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: April 24, 2025

PREPARED BY: Shawn Muir, Community Services Manager

SUBJECT: ADOPT A RESOLUTION TO INCREASE ADMISSION FEES FOR THE
PALM DESERT AQUATIC CENTER

RECOMMENDATION:

1. Hold a public hearing on approving a one-time increase of admissions fees to the Palm Desert Aquatic Center based on Year 2 of a proposed 5-year fee increase plan.
2. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, INCREASING CERTAIN ENTRY FEES FOR THE PALM DESERT AQUATIC CENTER AND TAKING OTHER ACTIONS THEREIN."
3. Authorize appropriation totaling \$230,747 to the appropriate Aquatic Center Expenditure Accounts from available Aquatic Facility Fund Balance.

BACKGROUND/ANALYSIS:

The Palm Desert Aquatic Center (PDAC) was opened as a new recreational amenity for the community in 2011. At that time, entry fees were established by Resolution No. 2011-32 (Attachment 1), and a 60% cost recovery goal was set. Due to rising operational costs, lack of fee adjustments for many years, and lower attendance, cost recovery for operations dipped to approximately 34% in 2023. Staff and the operator have increased programming in an attempt to improve revenues, as operating hours for concessions and recreational swimming were reduced following the pandemic. The increased city subsidy for operational expenses combined with the financial impact of potential future capital improvement projects for new amenities, prompted a fee analysis in FY 2022-23 to ensure the PDAC plans for a sustainable path forward.

Staff first reviewed this information with the Parks and Recreation Committee at their meetings in August 2022 and February 2023. Some considerations given by the Committee were the benefits that new attractions would bring to the PDAC and a program for low-income residents, should the fees be increased. A presentation was given to the City Council during a Study Session on March 23, 2023. At that meeting, staff were asked to gather additional data on other aquatic centers in the region for comparison, including fees, cost recovery, operator and staffing, amenities, size, and other relevant factors. Staff found that most aquatic centers are city-operated, charge fees similar or higher than those at PDAC, and do not have a formally established cost recovery targets. Also, most facilities offer fewer attractions and amenities than PDAC.

Staff conducted a separate financial analysis to determine the need to address the rising annual city subsidy in relation to the 60% cost recovery goal set in the original resolution (2011-32). A 5-year plan that to incrementally manage (and hopefully mitigate) the rising city subsidy of the facility was developed. The increase was kept at a moderate level, and an income-qualified discount program was established. The plan was presented to the Parks and Recreation

Committee and was approved to move forward for City Council approval. The City Council approved Resolution No. 2023-045 to increase the PDAC fees on September 14, 2023, and the new rates were implemented beginning January 1, 2024.

As part of the 5-year plan that was presented in 2023, staff committed to analyzing the effect of the fee increase on attendance rates, the City subsidy, and utilization of the income qualified discount program for the community. The income qualified discount program is based on existing programs in place with electric, water, and gas companies in the Coachella Valley. A PDAC visitor requesting to utilize the income qualified discount program would only need to bring a current bill showing their participation in one of these programs to qualify. If qualified, their group would be charged for facility use based on the previous fee structure (2011) and would not be subject to the proposed increase.

Following a full year of the new fee structure, staff observed that attendance increased slightly from 46,385 to 47,190. The fee increase accounted for \$108,000 in additional net revenue than would have been received had the fees not changed. The income-qualified discount program was used by 87 people (<1% of total admissions). Of the 87 discounted entries provided, 64 (74%) of them occurred in June-August when recreational swimming is available. Overall, the city subsidy for operational costs is projected to increase as cost recovery is expected to decrease from 33% in Fiscal Year 2023-24, to an estimated 28% in 2024-25 as new food options, programs, and other amenities are explored.

An analysis of the Year 1 increase was presented to the Parks and Recreation Committee at their regular meeting on February 4, 2025, along with two options to further increase the PDAC fees in 2025. These options are hereafter described as the “Original Proposal,” which was included in the 5-year plan presented in 2023, and the “Alternative Proposal,” which was calculated as part of the annual review at the end of year 1 (see chart in Financial Impact section below). The presentation also included information about the next steps for approval and roll-out of the new fee structure. Below is a timeline illustrating this plan:

July 1, 2025: Year 2 Fee Increase

January 2024	April 1, 2025	April 24, 2025	Spring 2026
Implementation of first fee increase. Establishment of income-qualified admissions discount.	Review and consideration by Parks & Recreation Committee. Vote to recommend Year 2 Original Plan	Staff recommend City Council adoption of Resolution to increase fees in concurrence with Parks & Recreation Committee	Staff will evaluate 2025 data to determine the effect of the Year 2 increase. Information will be brought to the Committee and Council for Year 3 consideration.

The Parks and Recreation Committee voted (6-1-0, with Guyer voting no) to recommend that the City Council consider an increase to the PDAC fees according to the Year 2 Proposal, allowing for an increase that follows the Original 5-Year Plan.

To increase the PDAC fees, the City Council is required to hold a noticed public hearing pursuant to California Government Code section 66018. Notice was published twice in a newspaper of general circulation at least ten (10) days prior to today's public hearing with at least five (5) days intervening between each publication. The notice provided the date, time, and location of this evening's public hearing.

At the public hearing, the City Council will hear all oral and written presentations regarding the PDAC fees from the public. Staff have prepared an estimate of the costs for the proposed PDAC fees and determined the fees do not exceed the reasonable estimate of costs to maintain and provide the PDAC facilities and services.

The City Council may decide to establish fees at a lower rate should the public interest and welfare be served. If adopted, the fees attached in Exhibit A will be effective July 1, 2025, and all previous PDAC fees referenced in the attached exhibit will be superseded. The adoption of these fees does not impact any other City fee, charge, or rates previously adopted by the City Council.

Adoption of the Original Proposal for the Year 2 fee increase is projected to generate approximately \$130,000 in additional revenue to support PDAC activities. In contrast, adopting the Alternative Proposal, endorsed by the Parks and Recreation Committee, is estimated to generate approximately \$74,000—resulting in a revenue difference of \$56,000.

Legal Review:

This report has been reviewed by the City Attorney's Office. Specifically, the requirement for a public hearing pursuant to Government Code, Section 66018 and the noticing schedule presented by staff was reviewed.

Appointed Body Recommendation:

At the February 4, 2025, Parks and Recreation Committee meeting, staff provided a presentation updating the Committee on the 2024 fee increase, and two options for increasing the fees for Year 2 of the 5-Year plan. The Original Proposal followed the 5-Year plan increase, and the Alternative Proposal provided a more moderate increase based on lower-than-anticipated operating costs in 2024. At that time, the Committee voted unanimously to allow for the implementation of the more moderate Alternative Proposal increase.

However, subsequent budget projections provided a more realistic outlook that was consistent with that of the FY 2024/25 budget. For this reason, staff provided an updated presentation to the Committee during its April 1, 2025, meeting. Following the presentation, the Committee voted to recommend the Year 2 increase that coincides with the original 5-Year plan. A reassessment of the program will be conducted in 2026 to determine the future implementation of the fee increase plan.

FINANCIAL IMPACT:

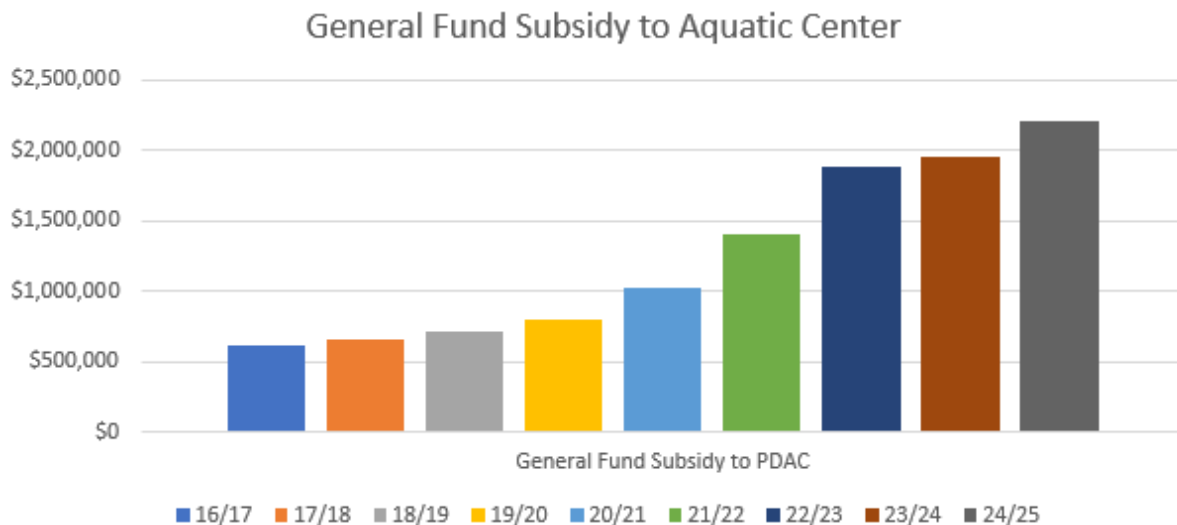
Adopting the Original Proposal would lead to a revenue increase that reduces the estimated Fiscal Year 2025/26 General Fund subsidy for the Palm Desert Aquatic Center operations by approximately \$130,000, decreasing it from \$2.27 million to approximately \$2.14 million.

Proposed PDAC Fee Schedule		Resident			Non-Resident		
Admission Type	Category	Current Fee* est. 1/1/24	Original Proposal from prior plan Begins 7/1/2025	Alternative Proposal based on update Begins 7/1/2025	Current Fee* est. 1/1/24	Original Proposal from prior plan Begins 7/1/2025	Alternative Proposal based on update Begins 7/1/2025
Day Pass	Adult	\$5.50	\$7.50	\$6.50	\$9.00	\$12.00	\$10.50
	Youth/Senior	\$4.25	\$5.50	\$5.00	\$7.00	\$9.00	\$8.50
	Junior	\$3.50	\$4.50	\$4.00	\$5.75	\$7.75	\$7.00
25-Punch Card	Adult	\$125	\$170	\$145	\$205	\$270	\$235
	Youth/Senior	\$95	\$125	\$115	\$160	\$205	\$190
3-month unlimited	Adult	\$200	\$270	\$235	\$325	\$430	\$380
	Youth/Senior	\$155	\$200	\$180	\$250	\$325	\$305
Annual Unlimited	Adult	\$560	\$755	\$660	\$910	\$1,205	\$1,065
	Youth/Senior	\$435	\$560	\$505	\$700	\$910	\$855

Since PDAC fees are not intended to fully recover costs, the General Fund must provide an annual subsidy to support PDAC operations. The chart below highlights the steady increase in the General Fund subsidy over the past several years, alongside a decline in the cost recovery percentage. If fees remain unchanged, the subsidy is projected to keep rising, requiring additional General Fund support in the future due to increasing operational costs.

Fiscal Year	General Fund Subsidy*	Cost Recovery %
14/15	\$503,641	63%
15/16	\$683,341	56%
16/17	\$613,833	59%
17/18	\$657,877	59%
18/19	\$709,937	58%
19/20	\$794,884	40%
20/21	\$1,026,000	26%
21/22	\$1,400,500	33%
22/23	\$1,890,294	34%
23/24	\$1,961,250	33%
24/25 est.	\$2,215,598	30%

*Operations only. Capital Projects at PDAC may also require General Fund support.



While the fee increase will help reduce the initially projected General Fund subsidy, the report presented to the Parks and Recreation Committee in February underestimated the expected operational costs. Additionally, the midyear budget adjustments approved on February 13, 2025, for PDAC included expenditure reductions that were later found to be over-stated based on actual and anticipated costs through the end of June. As a result, staff is requesting an appropriation of \$230,747 to the appropriate Aquatic Facility Expenditure accounts listed below for FY 2024-25.

Object	FY 2024-25 Original Budget	FY 2024-25 Adjusted Budget as of Dec 2024	Mid Year Request	Post Midyear Budget	Current Budget Adj Request	FY 2024-25 Final Adjusted Budget
4211100 - Supplies-Pool Chemicals	195,000.00	195,000.00	(75,752)	119,248	5,849.05	125,097.05
4219000 - Supplies-Other	25,000.00	32,500.00	(2,468)	30,032	10,904.51	40,936.51
4309000 - Prof - Other	246,500.00	246,500.00	(26,606)	219,894	27,844.46	247,738.46
4309300 - Prof-Other Admn Expenses	200,000.00	210,441.72		210,442	(10,441.72)	200,000.00
4331100 - Replacement Expenditures	30,000.00	30,000.00	(10,000)	20,000	-	20,000.00
4331101 - Contracted Pool Maintenance	380,000.00	375,000.00	(100,000)	275,000	105,000.00	380,000.00
4351000 - Utilities-Water	30,000.00	30,000.00	(21,016)	8,984	1,806.23	10,790.23
4351200 - Utilities-Gas	65,000.00	65,000.00	(51,234)	13,766	53,234.00	67,000.00
4351400 - Utilities-Electric	180,000.00	180,000.00	(32,132)	147,868	12,132.00	160,000.00
4364000 - Filing Fees	5,000.00	5,000.00		5,000	(1,314.75)	3,685.25
4365000 - Telephones	5,000.00	5,000.00		5,000	(1,500.00)	3,500.00
4801100 - COGS - Food & Merchandise	60,000.00	62,500.00	9,666	72,166	(12,166.00)	60,000.00
4802101 - Aquatic Contracted Labor	1,830,000.00	1,819,558.28	4,284	1,823,842	39,399.15	1,863,241.43
	3,251,500.00	3,256,500.00	(305,258.00)	2,951,242	230,747	3,181,989

Projected Rev 966,391
Subsidy from GF 2,215,598

ATTACHMENTS:

1. Resolution No. 2025-____, includes Exhibit A – PDAC 2025 Fee Schedule
2. Resolution No. 2023-045
3. Resolution No. 2011-32